

Message Text

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ACTION STR-07

INFO OCT-01 STRE-00 ISO-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05
SS-15 ITC-01 TRSE-00 USIA-06 SP-02 SOE-02 OMB-01
DOE-15 AF-10 ARA-10 EA-10 EUR-12 NEA-10 OIC-02
IO-13 /163 W

-----062006 201541Z /43

P 201514Z MAR 78
FM USMISSION GENEVA
TO SECSTATE WASHDC PRIORITY 7399
INFO AMEMBASSY BRUSSELS
AMEMBASSY TOKYO

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USMTN USEEC

STR FOR ACTION FOR MATTHEISEN
STR PASS CODEL

E.O. 11652 N/A
TAGS: ETRD, MTN, JA, EC
SUBJECT: 7-PLUS-7 MEETING ON SAFEGUARDS, MARCH 16

1. AS IN MARCH 13 SESSION (REFTEL), FOCUS OF LAST THURSDAY'S 7-PLUS7 WAS AGAIN ON SELECTIVITY, THIS TIME AS MAIN AGENDA ITEM. EC, NORDICS, AND LDCS OCCUPIED CENTER STAGE, ENGAGING IN THREE-HOUR DEBATE WHICH, THOUGH REVEALING NO SHIFTS IN BASIC POSITIONS, WAS MARKED BY MORE THOROUGH, THOUGHTFUL, AND WIDE-RANGING DEBATE ON SELECTIVITY THAN AT ANY PREVIOUS SESSION SINCE MTN OPENED.

2. PRINCIPAL LDC FEAR, TOUCHED ON BY EACH SPEAKER, IS LIMITED OFFICIAL USE

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THAT DCS WILL USE SELECTIVITY AS PRICE-RELATED MEASURE AGAINST LDCS WHO, ABSENT MFN COUNTER PRESSURES, AND WITHOUT MEANINGFUL RETALIATORY PROTECTION, WILL BE POWERLESS TO RESIST. BRAZIL SAID IT "SHUDDERS" AT THOUGHT OF CREATING LEGAL BASIS FOR SELECTIVITY WHICH WOULD ENCOURAGE RAW PROTECTIONIST MOVES AGAINST MORE COMPETITIVE ENTITIES; PAKISTAN CALLED SELECTIVITY A

"HERESY" WHICH BY DEFINITION IS UNFAIR AND INEQUITABLE BUT WHICH EC SEEKS TO LEGALIZE; SOUNDING SAME THEME INDIA, EGYPT, AND KOREA SAID SELECTIVITY AIMED AT LOW-COST GOODS PENALIZES EFFICIENCY; MEXICO THOUGHT IT MIGHT BE BETTER OFF STAYING OUTSIDE GATT AND RELYING ON BILATERAL AGREEMENTS IF SELECTIVITY ADOPTED. EACH LDC CITED MFA AS AGREEMENT BASED ON SELECTIVE APPROACH, CONTAINING MANY OF SAME INTERNATIONAL DISCIPLINES PROPOSED IN SAFEGUARDS CONTEXT, BUT WHICH HAS WORKED TO DETRIMENT OF LDCS. WHY, THEY ASKED, SHOULD SAFEGUARDS RESULT BE DIFFERENT?

3. ON THE DC SIDE NORDICS SPENED SAYING SELECTIVITY WAS INDISPENSIBLE ELEMENT FOR THEM IN SAFEGUARD EXERCISE AND REITERATED VIEW THAT SELECTIVITY SHOULD BE GENERAL RULE, EXCEPTION IS GLOBAL APPLICATION WHEN SOURCES OF INJURIOUS IMPORTS CAN'T BE DISTINGUISHED: IT ADDED PARENTHETICALLY THAT PROBABLY IN MAJORITY OF CASES, IT WOULD NOT BE POSSIBLE TO DISTINGUISH SOURCES. NORDIC REP SAID WE SHOULD BEGIN TO WORK ON METHODS OF AVOIDING ARBITRARY ACTION, THAT THE TIME HAD COME TO END "PING PONG GAME OVER GENERAL PRINCIPLES."

4. EC DELIVERED LENGTHY STATEMENT RESPONDING TO LDC CRITICISMS AND CHALLENGING THEM TO RECONSIDER THEIR INSTINCTIVE REACTIONS AS TO WHAT WAS "FAIR". INSTEAD LIMITED OFFICIAL USE

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OF DISCUSSING SELECTIVITY IN THEORETICAL OR ABSTRACT SENSE, REPS SHOULD "COMPARE WHAT WE'RE SUGGESTING WITH WHAT'S HAPPENING TODAY." THERE IS "MUCH GETTING AROUND" MFN TODAY, SO BETTER APPROACH WOULD BE TO PERMIT SELECTIVE ACTION BUT IN THE OPEN AND SUBJECT TO INTERNATIONAL DISCIPLINE, FRAMEWORK OF CHECKS AND BALANCES. SPECIFICALLY ADDRESSING LDCS, IT OBSERVED THAT SELECTIVITY CAN'T BE CALLED ABUSIVE WITHOUT KNOWING WHAT TYPES OF PROCEDURES WOULD ATTACH; EC HAD NEVER SUGGESTED SELECTIVITY WOULD BE BASED ON COST, NOTING PRICE BREAKS UNDER ARTICLE XIX ARE REALLY SELECTIVE ACTIONS UNDER MFN CLOAK. SELECTIVITY COULD BE APPROPRIATE ACTION WHERE THERE IS VERY RAPID IMPORT GROWTH FROM ONE OR TWO SUPPLIERS, CITING U.S. FOOTWEAR CASE AS EXAMPLE. IT SAID U.S. HAD ACHIEVED EQUITY BY A SELECTIVE APPROACH IN THAT CASE. ON CONDITIONS, EC SAID SUCH IDEAS AS DEGRESSIVITY AND TIME LIMITATIONS HAD "NOT BEEN RULED OUT," THOUGH THESE ELEMENTS SHOULD APPLY IN ANY CASE, WHETHER ON MFN OR SELECTIVE BASIS. IN RESPONSE TO DIRECT PAKISTAN QUERY AS TO WHETHER EC WOULD CONSIDER ITSELF BOUND BY ANY MULTILATERAL REVIEW BOARD FINDINGS, COMMISSION WONDERED WHETHER THAT WENT

FARTHER THAN GATT MEMBERS WOULD FIND ACCEPTABLE (IT MADE AS MUCH OR MORE SENSE IN GATT REVIEW OF BOP MATTERS, FOR EXAMPLE, BUT HADN'T CAUGHT ON); BUT IN ANY CASE, EC AND OTHERS WOULD HAVE TO TAKE MULTILATERAL JUDGMENTS "INTO ACCOUNT".

5. JAPAN SAID ITS POSITION REMAINS UNCHANGED. IT SAID IT WOULD BE NO USE AT PRESENT STAGE DISCUSSING SPECIFICS OF SELECTIVITY SINCE DEBATE ON PRINCIPLES STILL GOING ON. SWITZERLAND AGAIN SAID ITS THINKING ON SELECTIVITY IS EVOLVING BUT FEELS MFN SHOULD STILL BE GENERAL RULE, WITH SELECTIVITY POSSIBLE ONLY UNDER CERTAIN TIGHTLY DEFINED CIRCUMSTANCES; PROBLEM IS TO ENSURE SELECTIVITY DOESN'T BECOME RULE, WHICH MIGHT BE DONE THROUGH LIMITED OFFICIAL USE

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SS-15 ITC-01 TRSE-00 USIA-06 SP-02 SOE-02 OMB-01
DOE-15 AF-10 ARA-10 EA-10 EUR-12 NEA-10 IO-13
OIC-02 /163 W

-----062048 201540Z /46

P 201514Z MAR 78
FM USMISSION GENEVA
TO SECSTATE WASHDC PRIORITY 7400
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ADDITIONAL MORE STRINGENT CRITERIA AND MORE RIGOROUS SURVEILLANCE. FINALLY IT SAID EFFECT OF PRESENT GATT RULES HAD BECOME ONE-SIDED--EXPORTERS TOO HAVE RESPONSIBILITY TO AVOID DISRUPTING MARKETS.

6. TOWARD CONCLUSION OF MEETING, WE MADE FOLLOWING GENERAL POINTS: DESPITE SOME PROPOSALS, MAJOR SHIFT OF SYSTEM TOWARD SELECTIVITY WAS NOT DESIRABLE OR LIKELY, IN VIEW OF ECONOMIC, POLITICAL, AND BUREAUCRATIC ATTACHMENTS TO MFN PRINCIPLE; QUESTION ON SELECTIVITY WAS WHETHER AND TO WHAT EXTENT IT SHOULD BE GIVEN A PLACE AS AN EXCEPTION IN A MFN SYSTEM, AS PART OF A MOVE TO PUT MORE ACTION UNDER MULTILATERAL DISCIPLINE. LIMITED OFFICIAL USE

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(IN RESPONSE TO EC, PARA 4 ABOVE, WE NOTED BIGGEST ELEMENT OF EQUITY IN U.S. FOOTWEAR ACTIONS WAS THAT THEY WERE TAKEN ON AGREED BASIS.) SELECTIVITY ADVOCATES NEEDED FIRST OF ALL TO EXPLAIN TO REST OF US HOW INJURIOUS IMPORTS WOULD BE DISTINGUISHED FROM OTHERS, BEFORE SEEKING SANCTION FOR SELECTIVE ACTIONS. FINALLY, FOR U.S. SPECIFIC DEBATE ON SELECTIVITY IS NOT THE MAJOR QUESTION--OUR OBJECTIVE IS OVERALL IMPROVEMENT IN TRANSPARENCY AND DISCIPLINE OF SYSTEM AND UNTIL WE HAVE OUTLINES OF THOSE IMPROVEMENTS, DEFINITIVE JUDGMENTS ON NATURE AND POSITION OF ANY SELECTIVITY IN SYSTEM NOT APPROPRIATE.

7. COMMENT: STAGE NOW SET FOR FURTHER DIALOGUE ON THIS CRITICAL ISSUE. NOTWITHSTANDING CUSTOMARY DIATRIBE, LDCS DID HINT AT WILLINGNESS TO BEGIN TALKING SPECIFICS. FOR INSTANCE, BRAZIL SAID IT LOOKED FORWARD TO DETAILED EXPLANATIONS AND PROPOSALS ON SUBJECT FROM EC; PAKISTAN SAID WITH CLARIFICATIONS, ASSURANCES, IT TOO COULD BEGIN TO TALK. FROM OTHER END, EC WAS BEGINNING TO REACH FOR SOME MIDDLE GROUND BASED ON DISCIPLINE AND 'CHECKS AND BALANCES'. END COMMENT.

8. REMAINING AGENDA ITEMS (CONDITIONS ON MEASURES, CONSULTATION/SURVEILLANCE, S&D) TO BE TAKEN UP AT CONTINUATION OF MEETING, THURSDAY, APRIL 6, AT 3:00PM. DRAFTED BY ADDUCI MCDONALD

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE, MEETINGS, NUCLEAR SAFEGUARDS
Control Number: n/a
Copy: SINGLE
Draft Date: 20 mar 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978GENEVA04240
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780122-0890
Format: TEL
From: GENEVA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780348/aaaabopi.tel
Line Count: 218
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: ea51f2c3-c288-dd11-92da-001cc4696bcc
Office: ACTION STR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3271792
Secure: OPEN
Status: NATIVE
Subject: 7-PLUS-7 MEETING ON SAFEGUARDS, MARCH 16
TAGS: ETRD, JA, EC, MTN
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/ea51f2c3-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014